GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:669
ANSWERED ON:08.05.2003
CENTRAL INCENTIVES TO PRIVATE COMPANIES IN POWER SECTOR
ASHOK KUMAR PATEL

Will the Minister of POWER be pleased to state:

(a) whether the Government have assured to provide incentives to the private sector companies in order to boost power generation;

(b) if so, the details thereof; and

(c) the nature of incentives to be given by the Government to the private companies investing in power projects?

Answer

THE MINISTER OF POWER (SHRI ANANT GANGARAM GEETE)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF STARRED QUESTION NO. 669 TO BE ANSWERED IN THE LOK SABHA ON 08.05.2003 REGARDING CENTRAL INCENTIVES TO PRIVATE COMPANIES IN POWER SECTOR.

(a) to (c) : The policy to attract and encourage larger investment through private sector participation in the power sector was announced in 1991 in the background of inability of Government alone to mobilize the required financial resources . This policy has been reviewed / modified, wherever necessary, from time to time, with a view to streamlining the procedures ensuring transparency and for speedy development of the power projects. Some of the main salient features of the policy, also including the incentives available, are indicated below :

i) Powers for environmental clearance decentralised to the extent feasible.

ii) Capital cost limits exceeding which techno-economic clearance (TEC) is required from the Central Electricity Authority (CEA), raised from time to time thus exempting the schemes from the requirement of TEC.

iii) Automatic approval of foreign investment without any upper limit.

iv) tariff notification prescribing rate of return on investment, norms of operations for various types of power projects, etc .

iv) Formulation of mega power policy, captive power policy, liquid fuel policy, hydel policy etc.

vi) Relaxation of 40% cap on debt exposure by Indian Financial Institutions.

Some of the more recent initiatives taken by the Government, which would further pave the way for enhanced investments in generation, transmission and distribution, include the following:-

- The Accelerated Power Development Reforms Programme (APDRP) approved by the Government of India on March, 31, 2003, has an incentive component to encourage / motivate the State Electricity Boards (SEB) / Utilities to reduce cash losses. Under this scheme, 50% of actual cash loss reduction by the SEBs /Utilities will be given as grant by the Government of India to respective States.

- The excise duty / countervailing duty on naphtha as well as Low Sulphur Heavy Stock and other specified residual fuel oils used as primary fuel for power generation, has been removed.

- The duty exemption available for power projects identified as `mega projects` under the `mega power policy`, has been extended to other new projects also which fulfil the required conditions.